GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:2581
ANSWERED ON:16.03.2007
TAX EVASION UNDER DTAT
Chowdhury Shri Adhir Ranjan;Singh Shri Uday

Will the Minister of FINANCE be pleased to state:

(a) the details of the cases of tax evasion by violation of Double Taxation Avoidance Treaties (DTAT) that came to the notice of the Union Government in the last two years;

(b) whether the Ministry of Finance proposes to tighten the norms around those who have been using DTAT to avoid paying tax;

(c) if so, the details in this regard;

(d) whether the Ministry of Finance also proposes to plug loopholes in DTAT; and

(e) if so, the details thereof?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM)

(a) Instances of attempts to take advantage of the provisions of Double Taxation Avoidance Treaties (DTAT) have come to the notice of the Union Government involving issues such as existence of Permanent Establishment, charaterisation of income etc.

(b) & (c) The Ministry of Finance, through the office of Director General of Income-tax (International Taxation), is constantly investigating and assessing such cases and suitable action is being taken as per the provisions of the domestic law read with the Double Taxation Avoidance Treaties (DTAT).

(d) & (e) The Ministry of Finance reviews and undertakes revision of existing tax treaties wherever considered necessary in consultation with the other Contracting State.